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September 21, 2004

The Honorable Thomas N. O'Neill, Jr.
United States District Court for the
Eastern District of Pennsylvania
U.S. Courthouse
601 Market Street, Room 4007
Philadelphia, PA 19106-1749

**Re: Lumbermens Merchandising Corporation v. Regal Holdings, LLC, Eastern
District of Pennsylvania, No. 04CV4245.**

Dear Judge O'Neill:

You asked that we provide you with the following information regarding the attorneys' fees of \$5,174.00 that Lumbermens Merchandising Corporation ("Lumbermens") seeks from Regal Holdings, LLC ("Regal Holdings") in connection with the confession of judgment against Regal Holdings filed with the Court on September 7, 2004.

The attorneys' fees sought are those associated with filing the confession of judgment in this matter through August 31, 2004. Attorneys' fees after this date have not been included in the confession.

The \$5,174.00 number represents the actual amount billed by Saul Ewing LLP in furtherance of preparing and filing the confession of judgment through August 31, 2004. The predominant amount of time in connection with this effort was billed by me at my rate of \$185.00 per hour and included reviewing the settlement agreements, researching the rules of civil procedure applicable to confessions of judgment and drafting and preparing the relevant documents for filing. The remainder of the time was billed by James G. Rosenberg, a senior partner at Saul Ewing responsible for Lumbermens, at his rate of \$415.00 per hour, and included analysis of the file and discussions with Lumbermens and myself regarding filing the confession of judgment and alternative options available to the client.

These fees are reasonable because they represent the actual amount of time billed in furtherance of enforcing the confession of judgment through August 31, 2004. In debt collection

actions, attorneys' fees are given to the creditor as compensation for the expenses and trouble it may incur in collection of a claim. Foulke v. Hatfield Fair Grounds Bazaar, Inc., 173 A.2d 703, 706 (Pa. Super. Ct. 1961). Pennsylvania courts have noted that a creditor should be able to recover the total debt owed, plus interest, without diminution for expenses which he may be forced to pay. Id. Lumbermens incurred significant legal expenses during the underlying lawsuit and settlement from which this confession of judgment arose. Therefore, expecting Regal Holdings to pay Lumbermens' attorneys' fees, as agreed to by Regal Holdings in the Warrant of Attorney in the Promissory Note, for instituting an action to recover Regal Holdings' unpaid debt upon default of its agreement is eminently reasonable. Furthermore, equity requires that Lumbermens be allowed to recover the full value of the debt, plus interest, without diminution based on the expenses it incurred in filing the confession of judgment.

Because the attorneys' fees of \$5,174.00 represent the actual attorneys' fees billed to Lumbermens by Saul Ewing LLP in furtherance of entering a confession of judgment against Regal Lumber through August 31, 2004, and Regal Lumber agreed to pay these fees in the Warrant of Attorney, recovery of these fees by Lumbermens is both reasonable and equitable.

Respectfully submitted,

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Attorneys for Plaintiff Lumbermens
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing letter was served upon Regal Holdings LLC, by first-class mail, on September 21, 2004, at the following address:

Regal Holdings LLC
171 South Work Street
Falconer, New York, 14733

kc571
Kristin L. Calabrese